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20 MAY 1986

Japan Report



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JAPAN REPORT

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REPORTAGE ON SUMMIT OF WESTERN LEADERS

Abe, Howe Discuss Issues

OW040236 Tokyo KYODO in English 0204 GMT 4 May 86

[Text] Tokyo, Mar 4 KYODO--Britain endorsed a Japanese plan Sunday to issue a statement on the Soviet nuclear power plant accident in the course of the three-day seven-nation Tokyo summit, Japanese officials said.

British Foreign Secretary Sir Geoffrey Howe told his Japanese counterpart Shintaro Abe that his country will also raise issues concerning South Africa and Afghanistan during summit discussions.

A Japanese Foreign Ministry official said Sir Geoffrey also stressed "the necessity and significance" to null international terrorism at the summit, due to open later in the day.

Abe told the British foreign secretary Japan wishes to discuss the fight against international terrorism in the wake of terrorist acts in Western Europe and the U.S. military action against Libya.

Japanese officials said work on a special statement on the nuclear power plant accident at Chernobyl near Kiev and its implications is under way.

Sir Geoffrey said he plans to share his impressions of his recent visit to Afghanistan with Abe and other summiteers from the United States, Canada, France, Italy, West Germany and the European Community, the officials told reporters.

He also told Abe the government of Prime Minister Margaret Thatcher wants to discuss South Africa's policy of apartheid or racial segregation. Both Britain and Japan are major trading partners of South Africa.

Japanese Foreign Ministry officials said the United States has also expressed a similar interest in a summit discussion on South Africa.

Abe and Sir Geoffrey devoted half of the 50-minute session to Anglo-Japan trade relations, with the British foreign secretary complaining about Japan's discriminatory taxes against imported Scotch whisky and wine.

Sir Geoffrey cited a high Japanese tariff on Scotch as "a prime example" of the discrimination of the Japanese tax structure, which imposes tariffs on imported alcohol which are two to eight times higher than those levied on domestically produced whisky and wine, according to the Japanese officials.

Abe explained to Sir Geoffrey that the Japanese Government is currently reviewing the tax system and telling the nation's trading partners to take advantage of a series of market-opening measures.

The British foreign secretary said Britain welcomes recommendations for Japan's structural reform, contained in a report submitted recently to Prime Minister Yasuhiro Nakasone by a private advisory panel.

Commonly known as the Maekawa report after the former Bank of Japan governor who chaired the panel, Haruo Maekawa, the report will be covered by summit discussions.

Sir Geoffrey also requested Japanese approval of British Caledonian Airways' plan to inaugurate air services between London and Tokyo. The airline has applied to the British Transport Ministry for permission to initiate a nonstop air service between the two points via Siberia.

Mitterrand Speaks With Nakasone

OW041039 Tokyo KYODO in English 1009 GMT 4 May 86

[Text] Tokyo, May 4 KYODO--French President Francois Mitterrand Sunday joined other Western leaders Sunday in agreeing that the Tokyo summit should take up a position on international terrorism and the Soviet nuclear plant accident, but cautioned that political discussion must not overshadow economic issues, a senior Japanese official said.

"We mustn't forget that this is an economic summit," Mitterrand told Prime Minister Yasuhiro Nakasone in a meeting Sunday.

The Nakasone-Mitterrand meeting was the last in a series of top-level pre-summit consultations to set the direction and tone of the three-day conference.

Mitterrand, the last of the six foreign leaders to arrive in Japan, flew into Tokyo aboard the supersonic Concorde earlier in the day, just in time for the official welcoming ceremonies.

"How was the Concorde flight?" Nakasone asked Mitterrand as he greeted the French leader at the Hotel New Otani, where Nakasone hosted a reception for the summit leaders.

"Very fast," Mitterrand told Nakasone.

The two leaders spent most of the 30-minute meeting discussing ways to expand bilateral ties, with Mitterrand doing most of the talking, the Japanese official said.

Mitterrand also gave Nakasone some advice on how to run the summit, pointing out that the seven leaders "should not think they are the only people running world affairs," the official said.

The French leader also told Nakasone the summit leaders should be given more time to speak their mind to ensure a free flow in discussions.

Mitterrand also took the occasion to thank Nakasone for his decision to buy three French-made helicopters for shuttling foreign dignitaries during the Tokyo summit, calling the move "symbolic" in expanding bilateral economic ties.

Mitterrand urged Japan to accept more things foreign in a process he described as "spiritual opening."

He said he appreciated that more Japanese these days are travelling to France but pointedly reminded Nakasone that France is not a mere "country of cognac and perfume," the official said.

France and Japan should promote bilateral ties in an all-round manner-culturally, politically and economically, Mitterrand told Nakasone.

Concern Over Terrorism Declaration

OW050329 Tokyo KYODO in English 0326 GMT 5 May 86

[Text] Tokyo, May 5 KYODO--Japan has expressed concern over the legal status of the planned summit declaration on terrorism, a British spokesman said Monday.

The spokesman said there was broad agreement on the content of the statement, already hailed by U.S. President Ronald Reagan as a "significant step forward" in the fight against terrorism.

But he said Japanese [word indistinct] present at the drafting session, which lasted until 4 a.m. Monday, were worried that the wording of the declaration might appear to give it some legal weight in participating countries.

This, they argued, would be inappropriate as the summit is only an informal gathering, according to the British spokesman.

The spokesman said the British delegation was trying to sharpen up the wording of the declaration.

He mentioned extended cooperation between summit countries on extradition of wanted terrorists and exchange of police information as one likely feature of the declaration, which was widely expected to be released later in the day.

Such cooperation, he said, might be achieved through a framework similar to the European Community's Trevi group, which brings together home affairs ministers of EC countries for occasional meetings to swap information on antiterrorist measures.

The summit countries' declaration will try to establish that "an attack on one is an attack on all," said the spokesman.

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CSO: 4100/132

POLITICAL AND SOCIOLOGICAL

KYODO REPORTS REACTION TO SOVIET NUCLEAR ACCIDENT

Foreign Ministry, Others Comment

OW300155 Tokyo KYODO in English 0138 GMT 30 Apr 86

[Text] Tokyo, April 30 KYODO--The accident at a Soviet nuclear power plant will be taken up at the Tokyo summit May 4-6, Japanese Government sources said Wednesday.

The sources said Prime Minister Yasuhiro Nakasone and Foreign Ministry officials are studying what action to take.

The Soviet Union has called for aid from West Germany and other Western countries to put out the blaze at one of the four reactors at the Chernobyl power plant north of Kiev.

At least two people were killed in the accident, according to the official news agency TASS, but unconfirmed reports put the death toll at 2,000.

Foreign Ministry sources said the accident will have a great impact on both domestic and foreign policy of the Soviet Union led by party General Secretary Mikhail Gorbachev.

Analysis of the Soviet leadership is a major topic of political discussion at the summit hosted by Nakasone for leaders from six other Western industrial democracies.

Japanese Government officials will hold an emergency meeting to discuss the accident, the sources said.

Japanese experts said the level of radiation leaked from the facility may be equal to levels in Hiroshima following the dropping of the world's first atomic bomb in 1945.

High levels of radiation from the power station accident in the Soviet Ukraine were recorded in Scandinavian countries almost 1,600 kilometers away.

The Japanese Science and Technology Agency has started monitoring at 32 stations across the country to check for increases in radiation levels.

But, Eiichi Tsuji, chief of the agency's Atomic Energy Safety Bureau, said, "There will be only a very small effect on Japan from the radiation leak, if any, because of the distance."

The power station is about 8,000 kilometers West of Japan.

Radiation from the crippled power station could reach Japan about 40 hours after the accident.

Kiev city authorities told KYODO News Service the accident occurred Saturday night.

TASS said the accident involved one of the four graphite moderator reactors at the power plant.

The Japanese agency said 46 nuclear power plants are in operation or under construction in Japan, and currently supply about a quarter of the country's electricity.

But the Japanese reactors are "completely" different in structure from the reactor at the Soviet power station, an official at the Agency of Natural Resources and Energy said.

Reports of the accident shocked Japanese electric power companies who are planning to increase the number of nuclear power plants.

"We are concerned that the accident may hinder the development of nuclear energy," an electric industry source said.

Tomio Sudo, chief of Tokai village in Ibaraki Prefecture, called the accident "unbelievable," and said he will call on the central government to take effective safety measures for nuclear power facilities in the Pacific coast community northeast of Tokyo, which is known as the "mecca" of the Japanese atomic energy industry.

But an antinuke activist in the village reacted differently.

"We have expected this kind of accident," said Kazumasa Aizawa, who has been pushing a legal battle to scrap nuclear power plants.

"The accident has renewed our determination to tackle development of non-nuclear energy sources," he added.

Antinuclear Groups Issue Appeal

OW301107 Tokyo KYODO in English 1054 GMT 30 Apr 86

[Text] Tokyo, April 30 KYODO--A number of antinuclear organizations Wednesday appealed to the public to refuse to allow further construction of

nuclear power plants in Japan and to support demands for immediate safety checks on such plants currently in operation in this country.

The calls follow the Soviet nuclear power plant accident, reportedly occurred April 26 at Chernobyl north of Kiev in the Soviet Ukraine, in which two persons died.

A Japan Socialist Party (JSP) spokesman said in a statement, JSPs midterm energy policy banning construction of nuclear power plants has been proved to be right.

We want energy companies concerned to overhaul all nuclear power plants currently operating across the country and steam-power plants to be operated much more, he added.

The General Council of Trade Unions of Japan (SOHYO) and antinuke groups supporting the JSP also voiced strong concern about the accident, saying that all nuclear power plants should be given a safety check immediately.

The groups also demanded that energy companies should stop operating the power plants immediately to allow safety checks to be carried out and that the plans to construct new plants must be reviewed soon.

An antinuclear group in Shimane Prefecture called on the prefectoral government earlier in the day to suspend the planned construction of a second nuclear power plant due to be built in the prefecture.

They urged the local government to refuse to allow the Chugoku Electric Power Co. to resume operation of the first power plant currently out of action for a regular safety check.

About 30 nuclear power plants are under consideration for construction in Japan, 18 of which have already been approved by the Ministry of International Trade and Industry (MITI).

Nakasone Offers Aid to USSR

OW301021 Tokyo KYODO in English 1013 GMT 30 Apr 86

[Text] Tokyo, April 30 KYODO--Japan expressed its readiness Wednesday to assist the Soviet Union "from a humanitarian point of view" to deal with a nuclear power plant accident in the Ukraine.

Prime Minister Yasuhiro Nakasone personally made the offer in a meeting with outgoing Soviet Ambassador to Japan Petr A. Abrasimov.

Abrasimov called on Nakasone at the prime minister's official residence Wednesday afternoon. The envoy, who is scheduled to leave Tokyo in early May, also attended a luncheon given in his honor by Foreign Minister Shintaro Abe.

At the separate meetings Abrasimov had with Nakasone and Abe, the nuclear power plant accident at Chernobyl, north of Kiev in the Soviet Ukraine, figured prominently.

Nakasone reportedly expressed sympathy for the dead in the accident, reported by the Western press as far more worse than the U.S. Three Mile Island accident in 1979.

He was quoted as saying that Japan could extend assistance in the "field of medicine and treatment," if the Soviet Union asks for Japanese help.

At the same time, the prime minister urged the departing Soviet ambassador to give Japan information on the "unfortunate accident" because Japan, too, has nuclear power plants.

Japan has 31 nuclear power plants in operation and about 30 more are under consideration for construction, including 18 already approved by the Ministry of International Trade and Industry (MITI).

Japanese officials said Abrasimov described the nuclear power mishap as a very sad accident and expressed the belief that the Soviet Union would certainly offer any information that would be useful to Japan.

Foreign Minister Abe also was reported to have asked Abrasimov to provide information to Japan at an early date because the Tokyo government is very much concerned about the accident.

He also urged the Soviet Union to take appropriate measures for the safety of Japanese tourists in Kiev.

Latest reports reaching Tokyo said that there were at least 39 Japanese tourists in Kiev and that they were all safe.

Soviet state-run travel agency Intourist said that alien tourists now in the Soviet Union are under no restriction in their scheduled travel plans.

Yohei Kono, director general of the Science and Technology Agency and a member of the cabinet, decided Wednesday to cut short his trip to Australia and return to Tokyo because of the nuclear power accident in the Soviet Union.

He arrived in Sydney Tuesday and conferred with Australian cabinet ministers. Officials said he will depart from Australia Thursday.

Local Japanese Government officials who have to deal with nuclear power plants in operation in their areas held emergency meetings Wednesday and decided to ask electric power companies to reinforce their safety measures.

Environmentalists and civic groups opposed to nuclear power plants, meanwhile, issued statements demanding that electric power companies stop operating nuclear power plants.

Kansai Electric Power Company said it will make sure that its nuclear power plants will be safe. It also said that it will not give up its plan to construct more nuclear power plants in the future.

Chernobyl Accident Committee Established

OW010031 Tokyo KYODO in English 0025 GMT 1 May 86

[Text] Tokyo, May 1 KYODO--The Nuclear Safety Commission has decided to set up a special committee on the accident at a Soviet nuclear power station, a commission official said Thursday.

The committee will have about 10 members and try to obtain information from the Soviet Government on what caused the leak of harmful radiation from the Chernobyl nuclear power station near the Ukrainian city of Kiev Saturday night (local time).

A Soviet Government statement said at least two people have died and 197 others were hospitalized in connection with the accident which U.S. scientists call a "disaster."

Information on the accident will be used to examine safety measures for Japanese nuclear power stations, the official said.

In an emergency meeting in Tokyo Wednesday, commission members agreed that there would not be any effect on Japan from the radiation leak at the power station more than 8,000 kilometers away.

High levels of radiation were detected in wide areas of Northern and Central Europe.

Four Visiting Engineers Exposed

OW021321 Tokyo KYODO in English 1313 GMT 2 May 86

[Text] Tokyo, May 2 KYODO--Four Japanese engineers returning from the Soviet Ukraine have been exposed to radioactivity, the Science and Technology Agency announced Friday night.

The announcement said that iodine 131 and caesium 137 have been detected in the four men who were said to have been in an area 300 kilometers north of Kiev at the time of the Soviet nuclear power plant accident in late April.

The Soviet Union has officially acknowledged that the nuclear accident at Chernobyl in the Ukraine killed two persons, seriously injured 18, and that 197 others suffered lesser injuries.

Earlier, Finnish and Austrian nationals were reported to have been exposed to radioactivity.

The Science and Technology Agency did not reveal the amount of radioactivity detected in the four unidentified Japanese engineers.

But officials said the amount was not serious enough to threaten their health.

They urged the four men to undergo further checkups at the agency's National Institute of Radiological Sciences in Chiba City.

The four men were said to have returned to Japan without knowing anything about the nuclear plant disaster.

After they learned of the accident in news reports, they took physical checkups at their company hospital, officials said.

Nuclear Scientists Express Concern

OW031223 Tokyo KYODO in English 1159 GMT 3 May 86

[Text] Tokyo, May 3 KYODO--Japanese nuclear scientists Saturday expressed grave concern over serious environmental contamination steadily spreading over a vast area of the Soviet Union following an announcement by a U.S. "special situation group" of estimated radiation dosages experienced in the recent nuclear disaster.

The U.S. group, led by Vice President George Bush, and comprising top U.S. environmental and military officials as well as Central Intelligence Agency (CIA) officials, has estimated that the radiation dosage of victims in the nuclear plant at Chernobyl in the Soviet Ukraine was between 20 and several hundred REMs.

The announcement also said the radiation dosage resulting from the accumulation of iodine 131 microparticles in the victims' thyroid glands after ingestion or inhalation through their mouths and noses would be 200 to several REMs.

Ryushi Ichikawa, director of Japan's environmental health division of the National Institute of Radiological Sciences, said, "Judging from the Soviet request for the sending of U.S. bone marrow transplant experts, there must be victims who have been exposed to several hundred REMs of radiation."

"I would guess the dosage was close to the U.S. group's estimated value," he added.

Bone marrow transplants are required by victims whose bloodmaking functions, which are very sensitive to radiation dosages of several hundred REMs, are destroyed.

The Soviet Union has officially acknowledged that the nuclear accident at the plant killed two persons and injured 197, with 18 suffering serious injuries.

Ikuro Anzai, a professor of radiation precautions at Ritsumeikan University, echoed Ichikawa's view, saying "The estimated value is convincing since it is consistent with information available so far."

Referring to four Japanese engineers returning from the Soviet Ukraine who were found to have been exposed to radioactivity, Anzai noted that the radiation dosage they experienced was some two times normal in only two days of stay in an area 300 kilometers from the accident site.

"It wouldn't be surprising if those within 10 kilometers from the accident site received dosages some 1,000 times more than normal," he said, adding, "such dosages are almost equivalent to the U.S. estimated value." "With several billions curies of "deadly ashes" resulting from the core meltdown of a reactor at the plant, at least several hundred millions curies must have been projected," he said.

"Farming is threatened within a ten-kilometer radius of the reactor due to a substantial fallout of strontium and cesium, given their half-life period," he said.

"The contamination of air and drinking water must have been very serious," he added.

Radioactivity on Returning Tourists

OW050325 Tokyo KYODO in English 0311 GMT 5 May 86

[Text] Tokyo, May 5 KYODO--Some Japanese tourists who returned to Tokyo Monday from Kiev after the Chernobyl nuclear reactor meltdown showed signs of radioactive contamination, Science and Technology Agency officials said.

The officials said agency technicians measured radioactive readings on 44 tourists when they returned from a tour which had taken them to the Soviet city about 100 kilometers from the site of the accident at the time of the mishap.

Radioactivity was detected from seven or eight of the tourists and also on clothes and luggage belonging to several of them, the officials said.

None of the group showed any sign of ill health. But the officials said thorough examinations would be conducted and results would be released later Monday.

Similar examinations will be conducted on 25 other tourists coming back from the Kiev area later Monday. Another group of 54 people are to arrive at the Tokyo International Airport at Narita, instead of Nagoya airport as originally scheduled, Monday afternoon so as to undergo checkups.

The tour of the 44 persons had been organized by a Japan-Soviet tourist company in Tokyo. They reportedly showed no sign of radioactive contamination when they underwent checkups in Leningrad before returning to Tokyo.

The officials said that the examination at the airport was conducted "on a voluntary basis" by measuring radioactivity counts on the hair, nose, throat and other parts which can be exposed to the air.

The tourists were also interviewed by physicians.

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CSO: 4100/132

POLITICAL AND SOCIOLOGICAL

NAKASONE, KANEMARU DISCUSS ELECTION STRATEGY

Nakasone Endorses Candidacy Plan

OW181237 Tokyo KYODO in English 1138 GMT 18 Apr 86

[Text] Tokyo, April 18 KYODO--Prime Minister Yasuhiro Nakasone Friday endorsed a candidacy plan his ruling party has mapped out for the next general election in a move that heightened speculation about a simultaneous election for the two houses of the Diet this summer.

Political sources said the endorsement came at a meeting between Nakasone and Shin Kanemaru, secretary general of the Liberal-Democratic Party, at the prime minister's official residence.

According to the sources, the two men discussed party strategy to maximize the LDP gain in the next lower house election, with Kanemaru suggesting that the LDP should reduce the number of candidates running on the party ticket.

Kanemaru suggested holding the number of LDP candidates between 310 and 320, and Nakasone gave his consent to the plan, political sources said.

Both Nakasone and Kanemaru later denied that they talked about holding a "double election" for both houses of the Diet this summer but their meeting fanned speculation that this is what they have in mind.

Speaking to reporters following the meeting, Nakasone said he had received a report from Kanemaru outlining pending redistribution of seats in the lower house and only had a "general" discussion on the candidacy issue.

"The discussion was very general. We didn't talk anything specific about" the candidacy question, Nakasone said.

The Kanemaru-Nakasone session followed an executive board meeting of the LDP in which the question of LDP candidacies for a future lower house election came up for discussion, LDP sources said.

In mapping out the electoral strategy, members of the executive board--the party's principal policy-making body--suggested that the LDP should put a rein on the number of the candidates in a bid to avoid a split of conservative votes, the sources said.

While Nakasone has consistently denied that he is planning to dissolve the house and hold an election together with the scheduled balloting for the upper house, the discussion of party candidacies added fuel to speculation of an impending "double election," observers said.

Speculation on a double election--generally tipped to take place in June--centered on Nakasone's growing popularity in opinion polls and his bid to extend his hold of power beyond this fall, when his present tenure of office ends.

Nakasone Reportedly Favors Dissolution

OW181359 Tokyo KYODO in English 1345 GMT 18 Apr 86

[Text] Tokyo, April 18 KYODO--Kanemaru talked with some LDP Dietmen over dinner at a restaurant later in the day and said Prime Minister Nakasone appears willing to dissolve the lower house, according to political sources.

Nakasone wants to recover the LDP's absolute majority in the powerful chamber and to regain prestige lost in the wake of a setback in the 1983 general election, Kanemaru was quoted as saying.

Kanemaru told the Diet members that he thinks Nakasone has no thoughts beyond the election (of seeking a third term as LDP leader.)

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POLITICAL AND SOCIOLOGICAL

LOWER HOUSE DIETMAN SAKONSHIRO INAMURA RESIGNS

0W011157 Tokyo KYODO in English 1116 GMT 1 May 86

[Text] Tokyo, May 1 KYODO--Lower House Dietman Sakonshiro Inamura resigned as a ruling Liberal-Democratic Party member Thursday following his indictment by the prosecution in the textile industry bribery case.

The Tokyo District Public Prosecutor's Office indicted Inamura earlier in the day on charges of taking 5 million yen in bribery money from the Federation of Yarn Twisters Associations in return for his political influence in favor of the industry.

The ruling party accepted his resignation as soon as it was tendered, and the party is expected to report the resignation to the lower house soon.

Inamura had told reporters before submitting his resignation that the charges were totally groundless.

He said he will run for next lower house election, to be held possibly this summer, and that he will be vindicated.

With his resignation, the ruling party's strength in the House of Representatives now stands at 258, including eight seats held by its coalition partner New Liberal Club.

Of the remaining seats in the house, 111 are held by the Japan Socialist Party, 59 by Komeito, 37 by the Democratic Socialist Party, 27 by the Japan Communist Party, three by the United Social Democratic Party and seven by independents. There are nine vacancies.

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CSO: 4100/132

POLITICAL AND SOCIOLOGICAL

DSP CONVENTION ENDS; BRIBE SCANDAL ROCKS PARTY

OW251121 Tokyo KYODO in English 1029 GMT 25 Apr 86

[Text] Tokyo, April 25 KYODO--The No 3 opposition Democratic Socialist Party (DSP) closed its two-day annual convention Friday evening after adopting a declaration calling for a victory in the forthcoming House of Councillors election and other "decisive political battles."

The party's 31st annual convention, held at Kudan Kaikan here, adopted the DSP's campaign policy for 1986 and resolutions calling for execution of the reform of the Japanese National Railways (JNR) and relief from the crisis facing key industries.

At the same time, the first group of party-authorized and party-recommended candidates for the next House of Representatives election was announced.

The two-day annual convention, which marked the first anniversary of the new party setup under the leadership of Chairman Saburo Tsukamoto and General Secretary Keigo Ouchi, tried to solidify party unity and establish the basis for a possible election of the House of Representatives.

However, the second year of the Tsukamoto-Ouchi leadership started off badly as the party was rocked prior to the convention by the worst-ever scandal since its establishment in 1970, as one of its Dietmen, Fumio Yokote, fell under suspicion of having received a bribe from a textile industry association.

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POLITICAL AND SOCIOLOGICAL

PROFILE GIVEN OF LDP TAX COUNCIL CHAIRMAN MITSUKI KATO

Tokyo SEIKAI ORAI in Japanese Mar 86 pp 42-53

[Article by journalist Yasuo Akino profiling Mutsuki Kato, chairman of the LDP Tax System Council]

[Text] Tax Reduction Double That Proposed by Opposition Parties

In the middle of January, when the New Year holiday spirit was about to taper off and the ordinary sessions of the Diet were approaching, a Y4-trillion tax reduction initiative" suddenly sprouted within the Liberal Democratic Party.

In conjunction with the imposition of radical tax reform to be enforced in FY87, the party is intent on first launching a large tax reduction initiative, shocking to those both inside and outside the party when it was brought up by Mutsuki Kato, chairman of the party Tax System council, last June.

On 14 January, Kato had an informal talk with local reporters in his electoral district, Okayama. During the meeting, referring to the work schedule for the tax reform, he stated in essence: "We would like to lay out our direction by the early part or middle of April. The reduction will not have significant impact unless it is about double that called for by the opposition parties."

Labor demanded a wage increase at the 7-percent level in anticipation of the spring struggle this year. As a "preliminary demand," labor listed "enforcement of a 2 trillion tax reduction." In response, the opposition parties put forward a unified demand for a Y2 trillion tax reduction in the FY86 budget deliberation.

What Kato was talking about was a tax reduction within the framework of tax reform after 1987. It is difficult to compare his idea directly with the demand for FY86 tax reduction made by the opposition parties and labor. At any rate, Kato was somewhat competitive: "If the opposition parties suggest Y2 trillion, the LDP will go for Y4 trillion."

Kato's remark spread instantly within the party. An executive member of the party Tax System Council who had been pointing out the necessity of a tax reduction gave this picture of the tax reduction initiative: "How about a total reduction of Y3.5 trillion--Y2.5 trillion in income tax and Y1 trillion

in corporate tax? In connection with this, if the local tax is reduced by Y1.5 trillion, we can reduce taxes by a total of Y5 trillion."

Kato's one liner, "tax reduction double that proposed, by the opposition parties," provoked a great reaction that clearly and precisely demonstrates the magnitude of Kato's influence as chairman of the party Tax Council.

"None other than Kato made the remark. We must believe it to be true," said a medium-standing official of the Tax System Council. However, Ganri Yamashita, a candidate for chairman of the Tax System Council after Kato, declared: "I have not heard about a Y4 trillion figure. We have never discussed it within the Tax System Council. Where does he think he would get the fiscal resources?" However, Yamashita's words did not draw much attention in the shadow of the powerful pronouncement by Kato.

At one time, Kato's political life was in limbo due to the Lockheed bribery case, but he overcame that handicap and increased his influence, to emerge as one of the most powerful among those in the LDP.

For a Hungry Student

Kato was born in 1926 in Kasaoka, Okayama. He was born into a great land-owning family. Until his grandfather's time, the family holdings were so extensive it was said that "one could travel from his house to the sea without setting foot on anyone else's land." However, the family fortune slipped during his father's time. Kato worked on the side to complete his studies at the Himeji High School under the old school system, and to enter the military academy (class of the 60th graduates).

After the war, he served as a teacher in local middle and high schools and participated in union activities. He was promoted to the position of secretary of the Oda Province local of the Japan Teacher's Union. Although the union was different from what it is now, nevertheless it leaned to the left, as it does today. He therefore has a unique past for a Diet member belonging to the LDP.

Kato, with such life experience, was first politically awakened by the postwar rationing system.

Among the students in his home class, there was one child who always left the classroom with his lunch box during the lunch break. When Kato quietly followed the student, the child filled his stomach with city water and lay down to sleep away the lunch time. His lunch box was empty.

The student's mother was sick and could not afford to give him lunch. Kato was emotionally moved by this situation, and he delivered some rice to the student's home. He realized, however, that one man could do only so much. He became convinced that such a problem should be resolved by the power of politics.

This episode perhaps points to the origin of his reputation--a man of compassion and tears, but persistent with his logic.

Later, he served as a secretary to Jiro Hoshijima, former chairman of the House of Representatives, and he won his first victory in the general election of 1968. His service record includes the positions parliamentary vice minister for the Ministry of Transport, chairman of the Finance Committee, chairman of the National Organization Committee of the LDP, and finally he was given the honor of joining the Nakasone cabinet (secretary of the National Land Agency).

Able Policy Assistant to Abe

Kato was once described as "gray" in reference to the Lockheed bribery case, and generally he is mistakenly permanently flawed with a "dirty" image. True, Kato's name was brought out often in the past--the Japan-Korea intimacy problem, the political donation case associated with the revision of the law on certified tax accountants, the KDD case, etc.

Kato's supporters deny the allegations: "His views are the cause of rumors, but he is clean, and the suspicions are absolutely unfounded." However, some say otherwise: "Kato is an 'ashtray' in a play; he appears in all the scenes." (LDP Diet member)

He was once a member of the Seirankai, and he rampaged in the political arena with the late Ichiro Nakagawa and Shintaro Ishihara. He even sealed his signature in blood, which was criticized as an outdated, old-fashioned melodramatic impulse.

Reminisces Kato of his Seirankai period: "We were criticized, but we had many who were able future leaders in their own right. I participated in dozens of battles and acquired an unbreakable spirit that will not hesitate to confront any difficulties."

Kato has traits that easily feed misunderstanding and he may have played an unrewarding role, as occasionally he has been compared with his elder brother, Takenori Kato (a member of House of Councillors). However, his party began to notice Kato when, as vice chairman of the Policy Affairs Research Council, he was assistant to Shintaro Abe, who was that council's chairman.

Abe is a graduate of the University of Tokyo, but has never been a "sharp blade" type, even during his period of working as a reporter for MAINICHI SHIMBUN. The late Rokusuke Tanaka, who was working as a reporter for NIHON KEIZAI SHIMBUN at about the same time, was known for his "scoops." Abe was often "saved" by Tanaka on account of their good friendship.

The "prince of the Fukuda faction" was Abe's long-held title, which meant that he had the quality and caliber to become a leader but was not the type who was well versed in policies and could deal promptly with issues one after another.

It was Kato who covered such "weakness" in Abe. Kato had already performed duties as parliamentary vice minister of transport, chairman of the Finance Committee and deputy secretary general, and, fully utilizing the knowledge he gained from his experience as vice chairman of the Policy Affairs Research

Council, he became a perfect assistant to Abe, who was rated as "mediocre" in policy matters.

Rokusuke Tanaka was also able to complete his term as chairman of the Policy Affairs Research Council despite his lack of ability thanks to Takeo Nishioka, his policy man. The incumbent, Masayuki Fujio, also greatly benefits from the presence of Hiroshi Mitsuoka (current minister of transport).

Kato also served as chairman of the Communications and Transport Subcommittees of the party, and reportedly built up his "ability" through these assignments. It is said that Kato studied the minutes of the meeting of the Communications and Transport Committees of both upper and lower houses and made notes for his own use. He was knowledgeable about laws such as those on the Nippon Telegraph and Telephone Public Corporation and the Japanese National Railways, which later became the main topics of administrative reform.

His studiousness is not well known, but he behaves like a prep school student no matter what his age.

Frequently, he arrives home in Shibuya, Tokyo, after midnight but his study remains lit. He cannot fall asleep until he peruses a book or two. His wife expresses concern: "You will get sick if you keep doing this." But he cannot settle down until he at least glances through a foreign publication. That cost him his sleeping time. He only sleeps 3 to 6 hours.

Kato does not openly welcome nightly visits by newspaper reporters. Among officials of the LDP, there are some politicians who receive reporters almost every evening for a friendly chat on the pretext that "a true man of power attracts newspaper reporters every evening." Kato is a politician of a different type.

Consequently, it is very difficult for newspaper reporters to size up Kato. He always comes home late, and even when he is available he is not very hospitable. He cherishes "time for himself" in the solitude of his study.

To some extent, Kato became "resentful of the mass communications media" when he was battered by the press and television at the time of the Lockheed investigation. He cast off old skin one layer after another by serving in various key posts of the party and the government, but the anxieties that tormented Kato during the Lockheed incident may still remain undissolved deep in his heart.

Standing on the Edge of Despair With the Lockheed Case

In describing the first half of Kato's life history, it would not be complete without mention of the Lockheed case. It is cruel to Kato himself, but the course of events must be followed as objectively as possible.

The Lockheed investigation named the following as "gray" high-ranking government officials--Susumu Nikaido (former chief cabinet secretary), Hideyo Sasaki (former minister of transport), Mutsuki Kato (former parliamentary vice

minister of transport) and Kazuomi Fukunaga (chairman of the Special Committee for Aeronautics Policies).

These names were disclosed on 2 November 1976 by Director Yasuhara of the Criminal Bureau, Ministry of Justice, at a secret meeting of the special committee for investigation of the Lockheed case established by the House of Representatives. According to the disclosure, Kato reportedly "received Y2 million from Tokuji Wakasa, president of All Japan Airways, and Kaoru Fukushima, chief secretary of Marubeni, around 1 November 1972. The fact of solicitation was not proved, and no public action was taken on the grounds that the prosecution was cancelled by direction."

For reference, the remaining "gray high-ranking officials" Nikaido, Sasaki and Fukunaga allegedly received Y5 million, Y3 million and Y3 million, respectively.

On 4 November, the House of Representatives special committee for investigation of the Lockheed case released the contents disclosed by the Ministry of Justice at the secret meeting, and Kato and others presented an explanation. At this opportunity, Kato gave a refutation, stating that "I was used for maneuvering by Lockheed."

"I deeply regret that you identified me as a gray high-ranking official based on a one-sided report. I am the one who insisted on exhaustive scrutiny of the Lockheed case and proposed a Diet resolution. I exerted every effort to have a special committee formed for investigation of the Lockheed case. That is the proof of my unblemished conduct. It is alleged that I received Y2 million in 30 units from Fukushima on about 1 November 1972. However, on 1 November, I was in Okayama. The alleged transfer of money is pure fabrication. I have never met Kaoru Fukushima in my life. I am accused of accepting a bribe in connection with the alteration of the project plan that establishes the solicitation. However, the report affirms the absence of a solicitation. It is full of contradictions. Furthermore, there was no reason for me to accommodate All Japan Airways by altering the project plan. In addition, the alteration of the project plan was proposed on 3 November 1973, about a year after I resigned from the post of parliamentary vice minister, and the proposal was approved on 20 February 1974. My name was given during the commissioned inquiry in the United States. However, I insist that the name of Mutsumi Kato, parliamentary vice minister of transport, was merely used. The report made at that time was based on a one-sided investigation. I cannot even die in peace if I am accused of being a gray high-ranking official by arbitrary assessment. It seems that I was unconsciously drawn into Prime Minister Miki's 11th hour maneuvering, and I don't know how to vent my anger. There is only one truth. I sincerely hope that the truth will be brought out in the future."

Prior to this explanation, Kato contributed a personal note, entitled "The Truth Will Be Proven by History," in the September issue of the local history magazine, "SANYO JOURNAL" of his home base, Okayama.

In the eight-page article, Kato tried to "establish my innocence" by "breaking the 2 months' silence since I was named a gray high-ranking official at the

beginning of August and presenting the truth to the general public for the first time."

He was motivated to provide this personal note because "For the past 60 days, I have been tortured by anger, humiliation and sorrow, battered by what the newspapers printed every day. A letter written by my 17-year-old eldest daughter brought me back to my senses: 'It is your own strength that can rescue you from your present pitfall. You must master the power of your mind and soul and try to stand up.' I have an obligation to testify for many of those who stood as my breakwater in the chilly storm."

As the basis for his "proof of innocence," Kato presented his detailed agenda for 7 days, from 27 October to 2 November 1972. According to the document, he stayed in Okayama from the evening of the 27th until he left for Tokyo by the last train after attending a local assembly on the 30th. On the 31st, he attended a plenary session of the Diet, after which he returned to Okayama by the last train and stayed there until the 2d of November. On the 1st of November in question, it is recorded that he "toured around Konko-cho and Yakake-cho."

Kato wrote further: "If it is a fact that my name is in the American data; I can only say that one of the three--Lockheed, All Japan Airways or Marubeni--used my name for its own convenience. I will never cease to proclaim that All Japan Airways and Marubeni themselves framed me as an atrocious offender in the witch-hunting forum called public opinion because they wanted to use my official title even though I was innocent." "I fell into a pitfall that I should not have fallen into as a politician. To lighten my mental and emotional anguish, I must pull myself together by my own will and strength. There is no other way."

The voting day in the general election that was anticipated to be very punitive to Kato was on 5 December. A difficult battle was predicted for him, but he did much better than predicted, and won election for the fourth time. Kato surrendered to tears: The prefectoral voters proved my innocence. In response to your trust in me, I will seek the truth of the incident that befell me with all the power I can muster."

Giving Up a Cabinet Post for Harmony of the Party

The author of this article deliberately described the course of the Lockheed incident as it really happened because it is a reminder of Kato's striking "vital energy" in adversity. Putting him with other "gray high-ranking officials," Nikaido, Sasaki and Fukunaga, it was perhaps Kato who was the first to cleanse his dishonor.

At the end of December 1978, Kato accepted the post of chairman of the Finance Committee of the House of Representatives, a chairmanship considered to be the furthest to the right of all the chairmen in the Diet. He was then 52 years old, the second youngest among the 22 members of the special standing committee nominated at the same time. We should not overlook the fact that his nomination was strongly supported by former Prime Minister Fukuda.

In the general election of 1979, he was assigned to be chairman of the Election Policy Committee of the Fukuda faction. After only four electoral victories, he already received the order to serve as the man responsible for the election in the faction. The epithet "gray high-ranking official" to him was increasingly becoming a "dead letter."

In July of that year, Kato held a "party for his inaugural celebration as chairman of the Finance Committee" at a hotel in Shinjuku, Tokyo. There, 3,000 people from political and financial circles, etc., congregated. Those in the political arena were surprised by his name value.

"Entrusted With Stewardship for the 1980's. Leap! Party for Mutsuki Kato," read a large poster. Men of power showed up; for instance, the chairmen of both the lower and upper houses, cabinet members and members of the LDP caucus. Former Prime Minister Fukuda was among the promoters of the party and Shintaro Abe was among Kato's friends present.

What particularly drew the attention of those concerned was the very large participation of industry-related people. To demonstrate Kato's solid political foundation as a leader of the transport sector, guests from the aeronautics industry, truck and taxi businesses were notably present in great number. Because of the authority of the chairman of the Finance Committee, men from banking and securities companies also attended.

In December 1981, with the inception of the Suzuki reform cabinet, the issue of admitting Kato into the cabinet was brought up time after time.

Since Nikaido was named to the post of secretary general, "then, Kato should also be given a cabinet post" was increasingly heard in the Fukuda faction. Kato, as vice chairman of the Policy Affairs Research Council under Chairman Abe, excelled in political skill; for instance, the unification of administrative reform related bills. "He worked harder than anybody," was the sympathetic opinion in the house.

That prompted Fukuda to decide to give priority to the task of getting Kato in the cabinet. In the Fukuda faction, there was a strong belief that "Suzuki should faithfully respect the intent of Fukuda" based upon the self-assurance that the Fukuda faction was a trusted wing of the Suzuki administration.

Unexpectedly, right before the cabinet organization, Suzuki telephoned Fukuda and told him: "I do not intend to have Kato in the cabinet." The judgment was made on the basis that Kato's entry would further provoke public opinion when the mass communications media were already critical of the appointment of Nikaido to the post of secretary general.

Although the Fukuda faction affirmed its readiness to engage in battle with Suzuki, saying, "Then we will withdraw all our candidates for cabinet posts," Kato voluntarily withdrew his name from the cabinet hopefuls: "It is not my intention to disturb the conciliatory mood of the party."

However, by this gesture, Kato's "gallantry" made a favorable impression within the party. Kato gained more than he could have gained from the cabinet post by giving it up.

At the end of the long journey in November 1982, Kato officially entered the cabinet as secretary of the National Land Agency at the inception of the new Nakasone cabinet. Although the new cabinet contained unexpected faces, such as Masaharu Gotoda of the Tanaka faction as chief cabinet secretary and Akira Hatano, who kept criticizing the Lockheed trial, as minister of justice, it was undeniably a collection of men with understanding of policies befitting its nickname, "cabinet of craftsmen."

At the press conference to announce the new cabinet list, when Gotoda was asked about the appropriateness of including Kato, he responded mildly to ease the pressure: "The government of the nation is unrelated to the Lockheed case. Kato went through the baptism of election. It would be cruel to Kato to bring back his ghost all the time."

Also, during the first press conference, Nakasone highly evaluated Kato's ability regarding policy: "As a policy man, he is outstanding in his competence in all fields. To cleanse his name, he works hard and studies diligently. I thought I had to give him another chance to show the world his devotion in performing his duties. If he fails, it is at his own risk and responsibility. "Whatever the outcome, I want him to pitch in with all his strength."

Exerting His Real Ability in the "Key" Position of Chairman of the Tax Council

In December 1983, he took over the post of chairman of the Tax System Council. For a long time, the chairmanship of the Tax System Council had been held by Sadanori Yamanaka. When Yamanaka entered the cabinet in the Nakasone administration, Tatsuo Murayama was named in his place. With the inauguration of Kato, Murayama was ousted to the post of adviser to the Tax System Council.

To date, Kato remains in the post of chairman of the Tax System Council. His ability is so well known that a voice recommending him to "the seat of deputy secretary general while serving as chairman of the Tax System Council" was heard at the cabinet reform-party executive reshuffling of December last year.

Also there was a voice recommending Kato as chairman of the Policy Affairs Research Council as it was considered that Masauki Fujio had held that position too long. This proposal was turned down for fear of "presenting a problem as to how to treat Masajuro Shiokawa if Kata were named." However, within the party, Kato's reputation--that he is competent to serve as chairman of the Policy Affairs Research Council or minister of finance--seems to be firmly rooted.

Although Kato has steadily studied policy to gain competence, his true ability was brought out while serving as chairman of the Tax System Council. Whatever the reason, this post is known to cultivate extremely powerful political influence.

A Tax System Council is present in both the government and the party. In the past, the government Tax System Council decided on revision of the tax system in compliance with the budget and the party Tax System Council merely approved what had been decided upon. Now the power relationship of the two councils has been completely reversed.

Because of the shrinking of available subsidies due to the fiscal crisis, politicians can no longer afford to favor their pet programs with subsidies as they please. They are now starting to look at "taxes" as an alternate source. A teaspoonful of seasoning in the tax revision pot can give a blessing to a specific industry.

A "reverse subsidy" effect can be derived simply by a tax abatement measure (special tax measure). We can cite numerous cases of this.

During the tax revision process one year, a representative elected from Aomori Prefecture stood up for the cultivation of scallops: "The production of scallops is greatly influenced by the weather during the year. It is only right that a fluctuating income system be approved for averaging 3 consecutive years of income." He made it come true. The local growers welcomed the revision with glee, and that representative's vote count shot up in the next election.

In another case, the number of votes polled ballooned after the tax exemption for a chest of drawers was raised to benefit a locality famous for such production. The tax system is a monstrous diversified machine that contains plenty of exploitable "seeds" for bargaining. The seeds may be directly linked to votes or money.

In December 1984, the Keidanren advocated a no-tax-increase theory and at the same time launched aggressive lobbying concentrating on the LDP caucus. Among the list of lobbying targets, the importance of Kato was emphasized. Whether a tax increase or a tax reduction, a decision cannot be made without Kato.

Concerning the tax-decisionmaking setup, one OB of the government Tax System Council offered the following allegory.

"The scene is a restaurant called 'Taxes.' Several customers are at a table discussing what to order while checking a menu. In the kitchen a cook is preparing dishes, while the manager is waiting for orders from the guests." The 'customers' who have the right to decide represent the party Tax System Council, the cook is the Ministry of Finance, and the manager is the government Tax System Council.

When the time comes for tax revision, the party Tax System Council drafts a "table of requested tax revisions." It is as thick as a telephone directory. It is completely filled from beginning to end with a list of tax system-related requests from organizations concerned. The number of requests easily exceeds 2,000 items.

The daily deliberations of the party Tax System Council will be based upon the "telephone directory." A circle or an x will be affixed to each item, until

the entire list is exhausted. A circle means the request will be granted, while an x means the request will be denied. During the process, those in the accepted group will be further divided into various categories--those that will be handed down for discussion at ministry and agency level, those that will not be processed now but will be investigated in the next fiscal year, those that will be left to the political judgment, etc.

The interested organizations roll out a lobby offensive to get ever closer to receiving a circle. Kato sits on top of all this, and gains political influence even if he does not desire it.

Officials at the Ministry of Finance mention the existence of "another minister of finance." They are referring to the chairman of the party Tax System Council. When Kato was installed as secretary of the National Land Agency, he was given the same nickname. The post of chairman of the Tax System Council is perhaps a perfect spot for his talent.

In order to master this post, Kato was absolutely scrupulous in laying the groundwork and he developed logical architecture. Above all, he uses his legs. He goes out to meet people faithfully to discuss a problem until a solution is worked out.

In December 1984, the business income tax addressed to the mass communications media became the major theme. The mass communications industry fiercely opposed the proposal.

One evening when the climax approached, Kato invited Daisuke Yamanouchi, chairman of the Japan Newspaper Publishers and Editors Association, and Jun Nakagawa, chairman of the National Association of Commercial Broadcasters in Japan, to a hotel in the Tokyo metropolitan district. The talk went on for 3 hours.

When the talk was about to reach an impasse, Kato would resort to logical persuasion by referring to the record: "At that time, you said this." Numbers were sprinkled everywhere. One after another, American, British and West German tax practices were quoted.

His mastery of the subject was persuasive, and in the end convinced the opponent.

Tax decisions affect many fields, extending to political, financial and bureaucratic elements. They comprise a very complex composition made up of all strata: the prime minister's official residence, the Ministry of Finance, every ministry and agency, every organization and affiliation of the party Policy Affairs Research Council, private organizations, businesses and consumers.

Kato is the one who manages all this. Today, Kato appears to be working to achieve the opening of a beautiful flower by totally committing himself to this task with all the human connections, know-how and power he has cultivated to date in his political life.

National Railways Reform Acknowledged by Nakasone

We cannot overlook the "National Railways" among the jobs well done by Kato.

As a leader of those affiliated with transport, from an early stage Kato dealt with the National Railways reconstruction issue. He once drafted a "Kato memo" that proposed a reconstruction based on a government subsidy.

The December 1975 issue of the journal HOSEKI reported a conversation Kato held with Mitsuo Tomizuka (then secretary general of the National Railways Workers Union). Kato's articulation, full of passion for the reconstruction of the National Railways, is worth quoting here.

"In terms of statistics the percentage of use of the National Railways out of all available means of transport in Japan is 34 percent for passengers and 13 percent for freight. For the rest, something other than the National Railways is used. How to appraise these figures is a very important issue. Another point to be remembered is that only the telephone system and the National Railways at present have networks all over Japan. The National Railways serve not simply as the sandals and shoes of the people, but it is really a lifeline. Its critical importance is clear when we think of how much the people are distressed during a labor strike of the National Railways.

On the other hand, the highly regarded National Railways network has currently fallen prey to arteriosclerosis, or perhaps it is suffering from an aneurysm. Needless to say, partial treatment will not cure the aneurysm."

"Therefore, the "revitalized National Railways" that I advocate is, first of all, the kind of National Railways that will not raise fares year after year, that will be free of clamor from management and from labor-alarming operational crises. Second, it will be a strike-free National Railways. Third, it will be the kind of National Railways that will not perpetually depend on government subsidies for operation. These are three essential elements. In particular, it is important to build a National Railways that does not need to raise fares."

Although he was an enthusiastic promoter of National Railways reconstruction, he took the position of "antidisintegration" vis-a-vis the "disintegration and privatization" direction currently being pursued.

Because of his belief, he came into conflict with Hiroshi Mitsuzaka who advocated disintegration and privatization, and their contest was called the "Mitsu-Mutsu war."

However, once a fixed direction was charted, Kato, as a politician well versed in National Railways affairs is attempting to exert every effort to consolidate the reconstruction. Commenting on the report by the National Railways Reconstruction Supervisory Committee, Kato gave a high evaluation: "It is well written, covering an extensive range of subjects such as the combined obligations process, personnel administration and pension policies."

In addition, Kato conducted energetic backstage negotiations with various sides, including the National Railways authorities, the National Railways Workers Union, and the National Railways Locomotive Engineers Union, in compiling the report.

In the middle of July 1985, when the supervisory committee was about to complete the report, a reporter witnessed Kato going into the prime minister's official residence. Nakasone was not at home as he was visiting Europe at that time.

Kato urged the house-sitting secretary to make an international call. What was communicated on the telephone to Nakasone, pressed by a split-second agenda on the other side of the earth, was the progress of the preparation of the report.

From the "Mitsu-Mutsu war" perspective, Kato may be called a "loser." However, his speciality has its own worth. Even Nakasone was not able to solve the problem of the National Railways without Kato's expertise.

Supporting the Rise of Abe With the Tax System as a Weapon

At the beginning of this article, I mentioned the sudden appearance of the "Y4 trillion initiative."

That episode is proof of Kato's competence as chairman of the party Tax System Council. However, it had another side, to which the party members paid more attention than was merited. His words about enforcing tax reduction are intermeshed with the political climate.

Ever since launching the large tax reduction plan at the Tokyo metropolitan assembly election last year, Nakasone has insisted on realizing a tax reduction: "The heavy tax burden felt by middle-class salaried people earning an annual income of Y3 million - Y5 million will be lightened."

As a major pillar of the "total settlement of postwar politics," he bears the banner of "Radical tax reform since the Shoup recommendation" and advocates a "perfect tax reduction."

Because of this conviction, last fall Nakasone added 10 intellectuals of his personal choosing, such as Kiyoshi Iijima (political critic), Jiro Ushio (chairman of Ushio Denki) and Hiromasa Ezoe (president of recruit), as "special committee members" to the government Tax system Council in order to introduce some "untamed horses."

The government Tax System Council had been too partial to enforcement of a large indirect tax in the past, and fresh blood was injected to realign the physical structure making it suitable for launching a large tax reduction. The council has been asked to present an interim report featuring tax reduction in May of this year.

The majority of the tax specialists in the government and the party reacted to this: "It is irresponsible to give precedence to tax reduction without any

fiscal backing." An interim report, compiled under the leadership of Tatsuo Murayama, also launched "simultaneous equivalent tax increase and reduction enforcement" by terminating the Maruyu (small savings tax exemption system) and introducing the EC-type large indirect tax.

Nakasone's calculated plan was to have a large tax reduction as the primary election pledge for the June upper house election (double elections of both upper and lower houses if circumstances require).

The party Tax System Council is aware of such a plan, but it has been applying a brake to the "precedence of tax reduction."

However, Kato's remark is indicative of an amended track of the principal policy maintained by the party Tax System Council.

That is why speculation is rife concerning Kato's remark, tinged with political calculation.

A medium-level LDP representative says, right to the point: "Probably Kato tried to show his good faith by snuggling up to Nakasone."

Kato, as Abe's right hand, sits in a key position to bring about an Abe administration in the future. His existence is so critical that it is taken for granted that he will be chief cabinet secretary in an Abe cabinet.

After the May Tokyo summit, Abe is scheduled to make a formal announcement of his candidacy for the presidency of the LDP. Just as surely multifactional plotting will take place over the choice between Takeshita and Miyazawa.

What the Abe camp is uneasy about is the floating of "talk of abdication" from Nakasone to Takeshita.

Needless to say, Nakasone wishes to choose, for the next administration, a man who will have maximum influence in running the government. From this perspective, Abe has Fukuda while Miyazawa has Suzuki to look up to as a "great boss." Takeshita may be better able to control his power as long as Tanaka lies on his sickbed.

It is said, therefore, that Kato is fully cooperating with Nakasone on behalf of a reduction plan" in order to open the way for Abe.

Kato is a devoted Tigers' fan. After the team won the Japan series' championship last year, Barth's favorite bat was given to Kato. He keeps it as a "family treasure." Will Kato be able to hit home runs one after another with the power of Barth's good luck bat?

It is certain that the time has come for Kato to leap a stage higher as a key figure who manipulates the political climate in addition to his reputation as an expert on policy.

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POLITICAL AND SOCIOLOGICAL

TAKISHITA DECIDES TO DISBAND 'SOSEIKAI' SUPPORT GROUP

OW250821 Tokyo KYODO in English 0740 GMT 25 Apr 86

[Text] Tokyo, April 25 KYODO--Finance Minister Noboru Takeshita Friday decided to break up Soseikai, a support group he set up 14 months ago, in a move aimed at broadening his power base for his bid to contest the prime ministership this fall.

The decision was formalized at an emergency meeting of top executives of Soseikai Friday afternoon, political sources said.

Set up in February 17 last year, Soseikai has officially been designated as a "study group" within the Tanaka faction, but Takeshitas critics have charged that the Takeshita group was in effect a "faction within the (Tanaka) faction."

The Tanaka faction, once led by former Prime Minister Kakuei Tanaka before he suffered a stroke 10 days after the Soseikai was set up, is the largest among five major factions within the LDP.

The Soseikai roster, which consisted of 40 Tanaka faction members at the beginning, ballooned to more than 50 members, nearly half of the 122-strong Tanaka faction membership, when the group held its latest meeting a couple of months ago.

Political sources said Takeshita decided to dissolve the Soseikai after he secured pledges from the young members of the Tanaka faction to back the finance minister in his bid to run in the contest for the LDP presidency this fall.

Takeshita is one of the so-called three "new leaders" within the LDP eyeing to succeed Prime Minister Yasuhiro Nakasone, when his second two-year term as LDP president runs out in October.

The presidency job also means the prime minister's post as the LDP holds a majority in the Diet.

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CSO: 4100/132

POLITICAL AND SOCIOLOGICAL

WORLD LABOR LEADERS MEET WITH OPPOSITION PARTIES

OW230641 Tokyo KYODO in English 0610 GMT 23 Apr 86

[Text] Tokyo, April 23 KYODO--Leaders of Japanese opposition parties told an international meeting of labor leaders in Tokyo Wednesday Japan should invest funds from its trade surplus in overseas infrastructure projects instead of financial options.

Describing Japan as the world's leading creditor nation, the leaders suggested Japan should assist the world in the same way the United States did with the Marshal Plan after World War II.

The gathering was attended by leaders of the Japan Socialist Party, Komeito, and the Democratic Socialist Party and labor leaders from nations attending the Tokyo economic summit--the United States, Canada, Britain, France, West Germany, Italy and Japan. The labor representatives are in Tokyo to attend their own summit.

Opposition leaders also voiced concern about how to prevent aid abuse. A Diet member from the Democratic Socialist Party is now in the Philippines to investigate alleged misuse of Japanese aid.

The Japanese opposition leaders agreed with the unionists that Japan needs to reduce trade friction, expand domestic demand and shorten working hours.

On Tuesday, participants in the two-day labor summit, including leaders from five international labor unions, met with Prime Minister Yasuhiro Nakasone to discuss labor issues. Prime Minister Nakasone said he will reflect their concerns at the economic summit he will host May 4-6.

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CSO: 4100/132

POLITICAL AND SOCIOLOGICAL

POLICE IDENTIFY JAPANESE SUSPECT ARRESTED IN AMSTERDAM

OW040256 Tokyo KYODO in English 0240 GMT 4 May 86

[Text] Tokyo, May 4 KYODO--A Japanese man arrested last week in Amsterdam for possession of explosives is a former member of the radical "Kuro Heru (Black Helmet) Kamata Group" who may be connected with the 1971 bombing of a Shinjuku police box, police said Sunday.

Yu Kikumura, 33, was arrested with one kilogram of TNT at the Schiphol airport in Amsterdam.

Police said that Kikumura came to Tokyo to join the Black Helmet group in Shinjuku Ward in March 1971 after graduating from a senior high school in Miyazaki Prefecture, western Japan.

The group was not clearly associated with any ideological sect at first, but it joined forces with the Japanese Red Army and declared an armed uprising in the summer of 1971, police said.

The group conducted "bomb production training" in northeastern Japan later that summer, police said, and on Christmas Eve 1971 planted a homemade steel pipe bomb in a Christmas tree near a police box in the Shinjuku shopping district. The explosion injured two policeman and 10 passers-by.

Former film actor Joji Kajiwara, 37, the last member of the group wanted in connection with the explosion, gave himself up to police last December.

Kikumura was under close police observation as a suspect in the attack, but there was apparently not enough evidence to arrest him.

Police said Kikumura left Japan for Greece in September of 1974, and that they believe he tried to join the Japanese Red Army in Athens.

The overseas Japanese terrorist group was responsible for such incidents as the 1972 Lod airport machine gun-grenade massacre in Tel Aviv, and a 1974 Japan Airlines hijacking-explosion.

They said, however, they doubt Kikumura actually succeeded in joining the Red Army, adding that he more likely made connections with Arab terrorists.

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CSO: 4100/132

POLITICAL AND SOCIOLOGICAL

REPORTAGE ON PROBE INTO PHILIPPINE KICKBACK ALLEGATIONS

Abe Comments

OW230355 Tokyo KYODO in English 0332 GMT 23 Apr 86

[Text] Tokyo, April 23 KYODO--Foreign Minister Shintaro Abe indicated Wednesday that Japan will not take an active part in probing alleged pay-off to former Philippine President Ferdinand Marcos, saying the Philippine Government should take the primary responsibility in the investigation.

Abe's stand came in testimony before the opening session of a lower house panel looking into alleged kickbacks amounting to billions of yen by Japanese companies involved in government-funded aid projects.

"The Philippine Government should take the primary responsibility in getting the truth out of the (kickback) allegations, Abe said, adding that Japan would help in the investigations if asked by the Philippines.

Abe also told the ad hoc investigative committee on economic aid to the Philippines that Japan plans to continue its economic aid program to the Philippines under the new Corazon Aquino government.

In testimonies before the panel, senior government officials also said Japan does not plan to request documents from the Philippines that could elucidate the alleged pay-offs.

Documents released by U.S. congressional sources and the Aquino government have shown that Japanese companies had made "commissions and rebates" to Marcos and his close aides for contracts on the Japanese aid projects.

Japan, the top foreign aid donor country to the Philippines, has extended 525 billion yen of economic aid to the country over a period of 16 years, including 55 billion yen in direct grants.

It has been alleged that Marcos routinely siphoned off between 10 and 15 percent of the contracts awarded to Japanese companies. The amount of kickbacks, calculated on this basis, could amount to 60 billion yen.

Government testimonies before the morning session of the lower house panel also showed Japan has not adopted an auditing system to ensure that the aid funds are used properly.

Kimio Fujita, chief of the Foreign Ministry's Bureau on Economic Cooperation, said the duty for auditing should fall on the recipient country, and not on the donor.

Economic aid is given partly in order to promote friendship, and the demand for such an auditing system "does not conform to that purpose," Fujita said.

Further on Kickback Probe

OW230713 Tokyo KYODO in English 0704 GMT 23 Apr 86

[Text] Tokyo, April 23 KYODO--In the afternoon session, Takako Doi, a Socialist committee member, charged that the Overseas Economic Cooperation Fund (OECF)--the government's principal foreign aid agency--had "deliberately" destroyed documents related to Philippine aid, with "ulterior motives in mind."

She noted that destruction of the documents took place in 1984--a year after the assassination of Philippine opposition leader Benigno Aquino, President Aquino's husband.

Doi, the only woman Diet member on the panel, also accused the OECF of tolerating the existence of a sole Marcos crony to channel all Japanese aid funds.

She said the implementing officer, a Marcos crony named Oscar Rodriguez, was the instrument through which Marcos ordered the rebates.

Rodriguez was an "almighty man" in assigning and awarding contracts on Japanese-funded projects, Doi said, noting there was no equivalent official in aid extended by the United States.

Shun Oide, another Socialist committee member, repeatedly pressed the government to release documents related to Japan's aid to the Philippines but government officials testifying before the committee stuck to their position, saying that Japan will not release documents unless the Manila government consents.

Oide also distributed photostat copies of documents to the committee purportedly hinting irregularities in the use of Japanese economic aid, but the government refused to substantiate the documents.

Tetsu Ueda, the third Socialist member on the committee, claimed the government had applied pressure on the Philippines to clamp down on the publication of related aid document, but Abe denied there was any such arm-twisting from Japan.

JCP Member's Charges

OW231153 Tokyo KYODO in English 1133 GMT 23 Apr 86

[Text] Tokyo, April 23 KYODO--Seiji Masamori, a communist member, charged that a company called P and N, a local offshoot in the Philippines of Toyo

Corp., is to be closed down soon in order to conceal documents which are presumably vital to the probe.

Masamori noted that the Manila-based offshoot allegedly had been deeply involved in the wrongdoings, adding that the parent company in Tokyo had won almost a third of the Japanese-funded projects.

In this connection, he urged the government to obtain documents from P and N before it closes.

A high-ranking official at the National Tax Administration Agency replied that it will take the appropriate action at a suitable time.

Masamori said that Toyo Corp. and its affiliate group accounted for a total of some 50 billion yen or about half of the 103 billion yen worth of contracts awarded to 35 Japanese firms for work in the Philippines tied to Japanese Government loans.

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CSO: 4100/132

POLITICAL AND SOCIOLOGICAL

FRIENDSHIP CONFERENCE URGES BETTER RELATIONS WITH PRC

CPC's Wang Zhen Comments

OW181231 Tokyo KYODO in English 0839 GMT 18 Apr 86

[Text] Tokyo, April 18 KYODO--A Japan-China friendship conference ended Friday with an agreement to further better relations between the two countries and promote peace in Asia.

Some 85 Japanese and 15 Chinese specialists from various fields attended the meeting, the third of its kind.

Holding such meetings regularly is a sign that bilateral relations have reached a mature stage, said chief Chinese delegate Wang Zhen.

Wang, vice chairman of the Central Advisory Commission of the Chinese Communist Party, spoke at the end of the meeting after the four-day conference adopted a summary of discussions which will be presented to the Governments of Japan and China.

Chief Japanese delegate Masayoshi Ito said that the Japanese side will make further efforts to promote better understanding of Sino-Japan relations among the Japanese people.

The fourth meeting is planned in Beijing at a time to be decided later.

The four-day meeting focused on bilateral political and economic relations, cooperation and exchange in technological and cultural fields.

Participants in the meeting agreed that the two countries must keep alive the spirit of the 1972 restoration of Japan-China diplomatic relations and the 1978 peace and friendship treaty in solving problems between the two countries, according to the summary.

The conference also took up the controversial visit of Japanese cabinet ministers to Tokyo's Yasukuni Shrine. The shrine is dedicated to Japan's war dead and convicted war criminals.

The Chinese said they have no intention of interfering in Japan's domestic matters but said that appropriate solutions should be found in line with the spirit of the Japan-China peace and friendship treaty.

Among the Chinese delegation were Huan Sian, director of the International Studies Center and Sun Pinghua, vice president of the Chinese People's Association for Friendship With Foreign Countries.

The Japanese leader was Masayoshi Ito, a Liberal-Democratic Party member of the House of Representatives and former foreign minister. His delegation included Haruo Okada, a Japanese Socialist Party member of the lower house, and Takashi Mukaibo, vice chairman of the Japan Atomic Energy Council.

Smoldering Problems Remain

OW181339 Tokyo KYODO in English 1317 GMT 18 Apr 86

[Article by Keiichi Hirose]

[Text] Tokyo, April 18 KYODO--Japanese and Chinese representatives appear to have successfully ended their four-day friendship conference Friday but there remain smoldering problems which might hurt the basic relationship between the two countries, conference sources said.

The problems--at least two--concern Taiwan, which China regards as its inseparable territory.

Huan Xiang, deputy head of the Chinese delegation, criticized a Japanese plan to hold a memorial ceremony this fall on the 100th birthday anniversary of the late nationalist leader Chiang Kai-shek.

The Chinese Government earlier this year sounded a warning against the planned event, saying it is a move for the promotion of the concept of "two Chinas," which the government in Beijing strongly rejects.

Huan, director of Beijing's International Studies Center, told the third day session of the third Japan-China Council of Nongovernmental Personages Thursday: "The memorial ceremony is intended to encourage the Chiang Kai-shek clique and try to glorify him. This is against Japan-China friendship."

The Tokyo meeting was attended by some 85 Japanese and 15 Chinese representatives.

A group of pro-Taiwan Japanese conservatives, including former Prime Minister Nobusuke Kishi and Masayuki Fujio, chairman of the Policy Affairs Research Council of the ruling Liberal-Democratic Party, plan to hold the memorial ceremony for Chiang.

Chiang ruled China from 1928 to 1949 and was subsequent head of a government in exile in Taiwan.

Sun Pinghua, vice president of the Chinese People's Association for Friendship With Foreign Countries, delivered the keynote speech at the opening

session of the Tokyo meeting Tuesday and said: "Some Japanese, including those occupying important positions, are still trying to take every occasion to strengthen relations between Japan and Taiwan and never abandon plots to create 'two Chinas.'"

Sun, who was instrumental in normalizing relations between the two countries in 1972, said this is against the spirit of the Japan-China joint communique in which Japan acknowledged that the People's Republic of China is the only legitimate Government of China.

"If no adequate measures are taken, relations between Japan and China could come under a dark cloud, creating a new barrier in the development of Japan-China relations" Sun said.

Chinese representatives also did not hide their irritation over a recent Japanese court ruling that a dormitory for Chinese students in the western Japan city of Kyoto is Nationalist Chinese property.

The Kooka-ryo dorm, which originally belonged to Kyoto University during World War II, was bought by the Taiwanese Government in 1952.

But Chinese students who had been living there continued to stay on in the dorm, rejecting repeated Taiwanese pleas to leave.

The Taiwanese side in September 1967 filed a civil suit with Kyoto District Court demanding the return of the building.

The court ruled in 1977--five years after Japan and China normalized relations--that the dorm rightfully belongs to the People's Republic of China.

The Taiwanese Government appealed the case to Osaka High Court which later accepted the Taiwanese appeal and sent the case back to Kyoto District Court. The court in February this year ruled in favor of Taiwan.

Huang Shiming, general secretary of the Chinese People's Association for Friendship With Foreign Countries, told the Tokyo meeting Thursday the court ruling saying the dorm is Taiwanese "national property" is against the Sino-Japanese joint communique in 1972.

"I cannot help feeling anger (at the court ruling). It is intended to create 'two Chinas,'" he said.

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CSO: 4100/132

POLITICAL AND SOCIOLOGICAL

BRIEFS

USSR CRITICIZES 'PACIFIC COMMUNITY' CONCEPT--Tokyo, April 25 KYODO--Soviet Ambassador Petr A. Abrasimov Friday conveyed to Japan the Soviet Government's proposal for a conference of all Asian and Pacific countries including the Soviet Union, saying Moscow should not be excluded from regional matters. The Kremlin in its proposal for such a forum Thursday criticized the "Pacific Community" concept advocated by the United States and Japan as an idea "which can be transformed in the future into a closed regional grouping, into another militaristic bloc." The statement was conveyed by Abrasimov to Takehiko Nishiyama, chief of the European and Oceanic Affairs Bureau of the Foreign Ministry. Nishiyama said the Soviet Union misunderstands the so-called Pacific Community concept. He explained that Japan will continue to help Pacific nations economically, culturally and technologically, respecting initiatives by the Association of Southeast Asian Nations (ASEAN) as Prime Minister Yasuhiro Nakasone has pledged. [Text] [Tokyo KYODO in English 1242 GMT 25 Apr 86 OW] /6662

CSO: 4100/132

MILITARY

JAPAN, UK TO TAKE PART IN RIMPAC NAVAL EXERCISE

OW181305 Tokyo KYODO in English 1230 GMT 18 Apr 86

[Text] Tokyo, 18 April KYODO--This year's naval maneuvers by Pacific rim countries (RIMPAC '86) will be held from 18 May on the largest scale ever, with Britain participating for the first time, Japan's Maritime Self-Defense Force (MSDF) said Friday.

The 10th naval maneuvers will be held in the Central Pacific for 45 days with participation of the United States, Britain, Japan, Canada, and Australia.

The MSDF said Japan will send eight destroyers, eight antisubmarine helicopters, eight P-3C antisubmarine patrol planes and a submarine for the maneuvers.

The destroyer and submarine units will leave the Yokosuka base, Kanagawa prefecture, on 28 April and the aircraft units will leave the Atsugi base in the prefecture on 7 and 15 May.

The RIMPAC naval maneuvers, which started in 1971, have been held almost every other year in seas around Hawaii.

The MSDF will participate in the naval maneuvers for the fourth time since it first took part in 1980.

Britain will send six warships including one destroyer and two frigates. The 16,000-ton light aircraft carrier *Illustrious* is likely to cancel its participation due to a fire accident early this month.

According to defense agency sources, the U.S. is expected to send the 81,600-ton nuclear-powered aircraft carrier *Carl Vinson*, the 60,000-ton convention aircraft carrier *Ranger* and the up-to-date 9,600-ton guided missile cruiser *Vincennes*.

New Zealand is expected to stay away from the exercise because of its antinuclear policy.

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CSO: 4100/134

MILITARY

BRIEFS

INTERNATIONAL GROUP TO SURVEY BASES--Naha, Okinawa, 25 April KYODO--An international antinuclear conference got underway here Friday, with nine delegates attending from eight foreign countries. A demonstration march and a survey of U.S. military installations in Japan are planned during the five-day schedule. Governor Moses Uludong of Belau's Ngchesar State and Gerald O'Brien, former deputy president of New Zealand's Labor Party, will report to a plenary session of the meeting Sunday on legislation for the banning of visits of nuclear-armed vessels to their nations. [Text] [Tokyo KYODO in English 1216 GMT 25 Apr 86 OW] /12913

CSO: 4100/134

ECONOMIC

AMBASSADOR TO PRC INTERVIEWED BY CHINESE ECONOMICS JOURNAL

Beijing GUOJI MAOYI [INTERNATIONAL TRADE] in Chinese No 9, 27 Sep 85 pp 6-10

[Interview with Nakae Yosuke, Japan's ambassador to China, by GUOJI MAOYI reporters, Wu Delie [0702 1795 3525] and Zong Ruiyu [1350 3843 3768]: "Japan Ready to Help China With Economic Development"; date and place of interview not given]

[Text] Question: It has been 13 years since China and Japan resumed diplomatic ties. Chinese-Japanese trade has been developing rapidly, hitting an all time high in 1984, and Japan has become China's largest trading partner. Mr Ambassador, can you say a few words about issues related to Chinese-Japanese trade?

Answer: In 1984, Chinese-Japanese trade amounted to \$13.2 billion, a historic high and more than 10 times the value of bilateral trade in 1972 when China and Japan resumed diplomatic relations.

Chinese-Japanese trade accounts for about one-quarter of China's foreign trade. Japan has become China's No 1 trading partner.

Moreover, in 1984 China became the third largest importer of Japanese exports and sixth largest supplier of our imports. Overall, as Japan's fourth largest trading partner, China has become an important country in Japan's world trade.

As for the commodity mix, Japan's exports to China mainly comprise steel, machinery and chemical products, while Japanese imports include oil, coal, textiles and food. Apart from such categories as textiles and general merchandise where China and Japan are competitors, our trade is basically complementary.

About the question of trade balance, China ran up a deficit with Japan throughout 1965-1980 but had a surplus from 1981 to 1983. In 1984, however, it again recorded a trade deficit with us. The Chinese government has expressed a hope that Japan would buy more from China and reduce the trade imbalance. In the future China will remain one of Japan's major trading partners. Trade expansion helps promote world prosperity. We must make every effort to move in this direction in the days ahead.

China is working very hard to quadruple its gross agricultural and industrial output value over 1980 by the end of the century and actively restructuring its economic system and opening itself to the world. Japan is willing to do as much as it can to supply China with what it needs for its economic drive. At the same time, China must also increase its exports to Japan in order to achieve a trade balance. Japan, for its part, will look closely for Chinese products which have export potential to the Japanese market. We will also help speed up the overhauling and modernizing of Chinese factories and the development of export industries.

Chinese exports to Japan such as oil, coal, light industrial goods and sundry merchandise are facing stiff competition from other nations in the world markets. China should improve the quality of its products and make greater efforts to come up with products that Japan needs.

Question: Technical cooperation is an essential part of Chinese-Japanese relations. Japan has tried very hard in this area and obtained gratifying results. Mr. Ambassador, can you tell us what Japan proposes to do in the months ahead?

Answer: Chinese-Japanese technical cooperation, whether official or private, has been very active. On the governmental level, technical cooperation mainly takes the form of accepting graduate students, sending experts, providing facilities, specialized project cooperation integrating the various elements mentioned above, and conducting feasibility studies and research related to the formulation of the general plan.

Valued at 3 billion Yen in 1983, Chinese-Japanese technical cooperation has increased markedly each year since 1978 when it was worth 450 million Yen. In 1980, China was ranked 26th among nations receiving technical aid from Japan. Today it has leaped to the No 5 spot. Moreover, as of 1983, Japan had accepted 206 Chinese graduate students, sent to China 368 experts and provided 770 million Yen worth of technical equipment up to 1983. Statistics for 1984 have not yet been published, but our guess is that China has advanced to the fourth position.

Private technical cooperation (primarily Japanese enterprises receiving graduate students and sending experts) and technical cooperation between China and local governments in Japan (prefectures) are also estimated to have reached a large scale. In 1984 alone, 36,729 visas were issued to Chinese by the Japanese Embassy in China and its consulates-general in Shanghai and Guangzhou, of which 25 percent, or 9,177, were for people going to Japan for advanced training.

The core of technical cooperation is personnel training. In the future both the government and private sector in Japan will intensify cooperation in those fields where China has a need and further enrich the contents of cooperation in order to live up to China's expectations. We are particularly keen to diversify and upgrade technical cooperation on the governmental level in accordance with China's needs. We may adopt such mechanisms as "overseas

youth cooperation teams" and "silver volunteers" and joint research to pursue cooperation in ever widening terrain so as to achieve greater economic results.

We are fully aware of China's drive to improve technology to develop its economy. Both the Japanese government and people are also making an effort to transfer technology to China. According to Chinese statistics, (ZHONGGUO JINGJI NIANJIAN, 1984 edition), among technical import contracts signed by China in 1983, Japan accounted for the largest share in terms of value. (In terms of contract number, Japan had 44, second only to the U.S.'s 46.) The United States was second with 30 percent and the Federal Republic of Germany was third with 9.5 percent.

It can thus be seen that so far Japan has had considerable success in the transfer of technology to China. If we include technical cooperation on the governmental level since 1978, Japanese efforts do not lag behind those of any other nation, both in scale and in substance. We will try even harder in future in accordance with China's wishes. We also hope that China will make corresponding efforts in technical cooperation. For instance, when we export advanced hardware to China, it should provide us with a proper assessment of such imports, including the concomitant technology (software).

Question: As far as investments are concerned, Chinese-Japanese cooperation takes various forms, involves both the government and the private sector, and has been very active. Can you say a few words about Japan's future plans for direct investment?

Answer: China and Japan have achieved genuine cooperation in capital, which takes the following forms: the so-called "Yen loans," government-to-government loans which will be repaid; free economic aid, and Export-Import Bank loans. Japan began supplying these various funds around 1978.

The first batch of Yen loans from 1979 to 1983 amounted to 300 billion Yen (equivalent to \$1.367 billion, based on the 1979 average exchange rate of \$1 to 219.47 Yen,) of which 200.9 billion Yen (or \$915 million) were earmarked for 6 projects while 99.1 billion Yen (\$452 million) went towards the financing of commodity imports.

The second group of Yen loans, which began in 1984, was based on the plan put forward by Prime Minister Yasuhiro Nakasone to Premier Zhao Ziyang during his visit to China in March 1984. Under this plan, Japan would extend to China a 470 billion Yen loan (based on the average 1984 exchange rate of \$1 to 237.61 Yen, this was equivalent to \$1.978 billion) over the next 7 years to finance 7 major projects in the "Seventh 5-Year Plan," including those in transport and communications. (For details, please see table below.) The departments concerned have opened negotiations on this year's share of the loan.

Projects Financed by Second Group of Government Yen Loans

Project

6th Project Loan
(signed on 26 Oct 1984)

Loans made to	Chinese Ministry of Foreign Economic Relations & Trade
Amount	Hengyang, Guangzhou railroad extension 10,192 (millions of Yen)
	Zhengzhou Baoji railroad electrification 7,575
	Qinhuangdao Bingjing pier construction 4,631
	Lianyun harbor expansion 2,445
	Qingdao harbor expansion 2,203
	Tianjin, Shanghai, Guangzhou telephone network expansion 1,154
	Tianshengqiao (Basuo) hydroelectric power station 12,400
Total	40,600
Loans to be made	up to 26 Oct 1989 (5 years)
Maturing period	grace period 10 years, for a total of 30 years
Interest rate	annual interest rate 3.25%

From 1980 through 1983, free economic aid from Japan amounted to about 17 billion Yen (or \$75 million, based on the 1980 exchange rate of \$1 to 226.45 Yen). Apart from the Chinese-Japanese Friendship Hospital which was completed in October 1984, this sum is being spent on agricultural, cultural and communications projects. When Prime Minister Nakasone visited China in March 1984, he discussed with General Secretary Hu Yaobang the establishment of a "Chinese-Japanese youth exchange center." This project will also be built with free economic aid from Japan.

The first Export-Import Bank loan from 1980 through 1984 amounted to \$2 billion and was earmarked for the development of oil and coal resources. The second loan began in 1985 and will provide China with \$2.4 billion to be used for the development of coal and oil resources.

It can thus be seen that: In terms of government-to-government developmental loans, China has been Japan's largest aid recipient since 1982. (In 1983 Japan provided China with free economic aid worth \$350 million, 14.4 percent of total bilateral aid provided by Japan.)

From 1979 to 1983, China imported a total of \$3.9 billion in foreign capital, of which \$1.7 billion, or 44.5 percent, was Japanese, way ahead of Germany, which placed second with 12.9 percent. (International financial institutions such as the World Bank, International Bank of Development and the International Monetary Fund, accounted for only 17.3 percent of all capital imported by China.) Development loans from the Japanese government aid alone constitute 52.1 percent of the total value of all development loans received

by China, or 43.1 percent of what has actually been spent. In the future Japan will continue to do its best to offer developmental economic assistance to contribute to China's economic construction.

According to Japanese statistics, direct Japanese investments in China (from 1951 through 1983) amounted to \$71 million and involved 24 projects, of which \$61 million, or 85 percent, were invested after 1979, i.e., following the signing of the Chinese-Japanese friendship treaty. Compared to the scale of Chinese-Japanese trade, this was really insignificant. Between trade and investment, the latter requires an enterprise to make more weighty decisions. For this reason, it is only reasonable for Japanese companies to be cautious.

Chinese statistics show that there were 10 Chinese-Japanese joint ventures as of late 1983, or 5.3 percent of the total number of joint ventures in China, which was 188. There were 130 Hong Kong-Chinese joint ventures, or 69.1 percent, and 22 Chinese-U.S. joint ventures, or 12 percent, making Japan the country with the third largest number of joint ventures. But in 1984 alone, there was an increase of more than 40. If this trend is anything to go by, direct Japanese investments look set to pick up considerably this year. Japanese investments in China are moving from the research stage to that of implementation.

Official cooperation alone is unlikely to satisfy the capital needs of China's future economic development, so we must expand investments in China by private enterprises. Right now our two governments are negotiating an investment protection agreement. Once the agreement is in place, it will lay a treaty foundation for Japanese investments in China.

From the Japanese perspective, China should take the following actions to remove the main problems in our investing in China. It should strengthen and improve its infrastructural facilities and relevant legislation. It should do more to rationalize its wage system and land cost system, make available raw and processed materials, improve its transportation and correctly evaluate software. We are encouraged by China's present effort in these areas and hope that it will tackle unsolved problems as soon as possible. Enterprises which are thinking about investing in China are watching very closely the results of other companies which have made the move. In this sense, ensuring the success of existing Chinese-Japanese joint ventures is also an important issue worthy of bilateral effort.

Question: The exchange of experts between the two nations is undoubtedly an extremely crucial matter as it will go a long way toward furthering bilateral economic cooperation. Mr. Ambassador, what do you think we should do in the future to strengthen such exchanges and cooperation?

Answer: To further develop bilateral economic cooperation in the future, it is essential that we train a large number of Chinese people who can make themselves useful in every way, even as we strengthen material and technical cooperation. Both the Japanese government and our private sector are prepared to fully use our knowledge and experience to support China's personnel training effort. We'll further expand various existing cooperation projects. At the same time, we will eagerly look into new ways which can satisfy your

country's need for qualified people.

We may consider the following specific cooperative measures:

1. Further expand governmental technical cooperation both quantitatively and qualitatively. We expect private Japanese enterprises to build on this basis and become even more active in receiving Chinese graduate students and sending experts to your country.

2. In accordance with China's requests, intensify cooperation between China and small and medium-sized Japanese enterprises so that the latter's outstanding expertise and technology can contribute to China's development. As a result of their visit to China last month, our Chamber of Commerce has reached an agreement with China on the question of exchange between small- and medium-sized enterprises and China.

3. As for sending retired technical personnel to China, we intend to launch a cooperative project involving retired personnel in the private sector. This is in addition to the "silver volunteers" project.

4. As a form of concrete unofficial cooperation, the "Chinese-Japanese Personnel Exchange Committee" was set up in Beijing on 9 May under the chairmanship of Zhang Yanning [1728 1750 1337]. A corresponding organization, the "Japanese-Chinese Personnel Exchange Association," was established in Japan on 15 June with Gen Ben Long Tai Lang as president. So a mechanism is now in place for the systematic recruitment of retired technical personnel for dispatch to China.

Question: As ambassador to China at a time when the Chinese-Japanese relationship, including economic and technical cooperation, trade and other aspects, is developing across the board, what do you think should be done to consolidate the relationship?

Answer: To speed up Japanese-Chinese economic cooperation and trade, we are prepared to work hard along these lines:

1. Make an Effort To Achieve a Balance in Japanese-Chinese Trade

To bring about a long-term, balanced expansion in Japanese-Chinese trade, we must increase Chinese exports to Japan. Accordingly Japan should take a close look at what it can import. We are ready to actively introduce Chinese exports to Japan, which is what we did at the international import exhibition and trade fair held in Japan recently. More specifically, we may consider organizing various kinds of trade seminars with China. Friendly cities also constitute a channel through which economic exchanges and investments can be increased. Expanding Japanese-Chinese trade not only means more Chinese goods entering the Japanese market, but also facilitates the transshipment of more Chinese goods to a third nation through Japan, thereby increasing China's exports.

2. Promote Mutual Understanding and Ties

International economic cooperation and trade cannot take place in the absence of an understanding of one another's systems, economy, social structure, commercial practices and customs. More often than not, disputes arise in economic and trade intercourse because there is no full understanding of the other nation's conditions. As a result, it is imperative for Japanese and Chinese enterprises and people engaged in bilateral trade to strengthen mutual understanding and interactions. In the past, China's external publicity work was inadequate in a number of ways. After the country firmly decided to open its door, there is an even more urgent need for it to tell the world the actual conditions at home in a detailed, accurate manner.

3. There Must Be A Mechanism To Settle Any Problems Which May Occur

China and Japan must establish a mechanism capable of solving any unfortunate problems which may arise. We may use all existing channels to discuss and solve problems as soon as possible. In short, there must be a means to prevent economic or trade problems from affecting the entire Japanese-Chinese relationship. To ensure the smooth development of Japanese-Chinese economic and trade cooperation, we should invite Chinese and Japanese experts and people actually involved to engage in an ongoing process of contact and consultation to explore all manner of ideas and approaches.

For your reference, I would like to offer a few personal views and relay a number of suggestions which came up in opinion surveys on ways to expand Japanese-Chinese economic exchanges.

1. To promote the development of joint ventures, China should provide as soon as possible the basic data required by feasibility studies and beef up such data. There must be a clear set of standards to guide joint ventures in setting the wage scale of their workers.

2. We hope that Chinese delegations to Japan will time their visits and limit their size reasonably. A restaurant and train reservation system may be set up for Japanese delegations to China.

3. It is hoped that China will further clarify the set-up and jurisdiction of various trade organizations and companies, make available relevant information, institute a clear compensation system and ensure that delivery dates and quality standards of relevant products are met.

4. To ensure the continued successful development of Japanese-Chinese economic relations, we must stimulate the exchange of private individuals, people at the forefront of our relationship, and the regular exchange of opinions, listen seriously to the others' frank opinions and work hard to clear up mutual misunderstanding. Japan and China should work together to solve problems through joint studies and consultation.

5. We hope China will do its best to speed up housing construction for Japanese personnel accredited to China and introduce a more reasonable fee schedule.

6. China should shorten its luggage shipment time, simplify its customs procedures, improve medical care and facilities and diversify appropriately the supply of articles of daily use to foreigners.

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CSO: 4006/191

ECONOMIC

TRADE GROUP PRESIDENT ON EXPANDING IMPORTS FROM PRC

Beijing GUOJI MAOYI [INTERNATIONAL TRADE] in Chinese No 9, 27 Sep 85 pp 10-11

[Article by Morita Takamaru, president of the Japan Association for the Promotion of International Trade: "Ways of Increasing Chinese Exports to Japan"]

[Text] Chinese-Japanese trade developed very rapidly in 1984, up 31 percent over 1983. In the second half of the year, Japanese exports shot up 47 percent while exports grew 16 percent, resulting in a surplus for Japan. During this period, Japan experienced a steady upsurge of interest in trading with China. To Japan, China is a most promising trading partner because China's open door policy has yielded practical results.

Since the beginning of 1985, however, Japanese exports have been soaring at an abnormally fast pace. For instance, Japanese exports to China from January through June amounted to \$6 billion, double that for the same period in 1984. Meanwhile Japanese imports were only \$3.2 billion. The upshot was a \$2.8 billion surplus for the first half of 1985 alone. (The surplus for the whole of 1984 was \$1.26 billion.) Most of the increase in Chinese imports this year were not part of the state plan but consisted of durable consumer goods imported by the localities. This surge in imports not only led to a buying stampede inside China but has also affected its foreign exchange reserves. All this shows that Chinese-Japanese trade has been developing too fast.

This year is the last year in China's Sixth 5-Year Plan and 1986 will usher in the Seventh 5-Year Plan. To ensure that trade and economic cooperation proceeds as planned, China must maintain its foreign exchange reserves at a certain level. This is why it must use foreign capital even more effectively.

To realize the quadrupling of its gross industrial and agricultural output value by the end of the century, China must devote itself to the development of electricity and the construction of communications, transportation, harbors and roads. At the same time it must make an effort to develop export industries.

The dependence of China's national economy on external trade is still very limited, but it will increase in the days ahead in view of the open door .pa

policy. Exports have the arduous task of ensuring China can buy the imports it needs. The question for Japan is how to expand its imports from China.

In general, the goal put forward by China of quadrupling its gross industrial and agricultural output value by the end of the century is not too difficult. If the Japanese economy grows 5 percent annually for the next 15 years, and assuming that its foreign trade, particularly imports, will grow at the same rate, that will mean a 2.2-fold increase in value, an increase which can be considered almost natural.

Japan imports from China a wide range of products. First there are the traditional commodities, e.g., water chestnuts, raw silk, native products, Chinese herbal medicine, special foods, arts and crafts and paint. Japanese imports from China make up 70 to 90 percent of its total consumption in these categories and will vary in response to changes in the country's consumption trends. These Chinese exports are going to account for a declining portion of Japan's consumption.

A larger share of Japan's imports from China consists of the following: petroleum, coal, chemical industrial products, petroleum products, light industrial goods, assorted metallic processed products, as well as agricultural, livestock and aquatic products. Most of them are international commodities. By and large, Japan's dependence on imports in these categories varies from time to time and its imports from China may increase sharply in some years and stabilize in others. But Japan's imports from China account for only 6 to 7 percent of total Japanese imports (it is almost 20 percent for fibers) but may possibly increase in the future.

As Chinese industries develop, moreover, the quality and quantity of their output will improve, which suggests the possibility that such exports as machinery, chemical industrial goods and light industrial products will go up and become new commodities in Chinese-Japanese trade. If this comes to pass, China's export commodity mix will become more rational.

In mineral products, China has rare-earth metals and precious metals, demand for which has lately emerged in the international market. The metals will be further developed and exploited in the Eighth [as published] 5-Year Plan. We can see from the above discussion that it is not too hard for Japanese imports from China to increase fourfold.

It is important to solve specific problems by laying down appropriate policies.

Some imports, however, such as agricultural and livestock products and light industrial goods, may conflict with Japan's domestic industries, a conflict which appears to intensify over time.

On the other hand, there are categories where the volume of Chinese imports has been increasing continuously and replacing Japanese imports from other regions. These products do not compete directly with domestic Japanese industries. Examples are petroleum, petroleum products, coal, soya beans, corn, rapeseed and cotton.

China should work hard to increase the international competitiveness of these so-called international commodities, primarily in terms of price, quality, packaging and transportation capacity. It should also improve its ports' handling capacity. International commodities are also called market commodities. If goods are not delivered to the place and by the time designated in the contract, the meaning of trade will be lost. I believe it is also very important to increase competitiveness in this respect.

As for prices, even if the government increases subsidies, they should be kept competitive. This applies in particular to agricultural products.

Solving these problems will have a crucial positive effect on increasing Chinese exports to Japan and other countries.

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ECONOMIC

CHINESE-JAPANESE TRADE FRICTION DISCUSSED

Beijing GUOJI MAOYI [INTERNATIONAL TRADE] in Chinese No 9, 27 Sep 85 pp 12-13

[Article by Fujimura Kosuke: "Sino-Japanese Trade Conflicts Should Be Solved by Consultation"]

[Text] In the latter half of the 1970's, Chinese-Japanese trade expanded continuously. To China, Japan is its largest trading partner. To Japan, China will only become more and more important in the future. However, a number of abnormal phenomena have appeared in Chinese-Japanese trade since last year. Japan's sales of cars, motorcycles and television sets to China soared several dozenfold last year over 1983. Since the beginning of this year, China has suspended negotiations on a number of contracts because of a shortage of foreign exchange reserves. This situation is bound to affect the development of Chinese-Japanese trade. What we need now is a steady expansion in Chinese-Japanese trade, and both sides are working hard for it.

In recent years, as its domestic economic development progresses smoothly, China has rapidly expanded its foreign trade. In the past, China spent vast sums of foreign exchange buying massive amounts of grains from Canada and the United States. Since 1979, villages in China have put into practice a production responsibility system, resulting in a remarkable increase in agricultural output, some of which is now being exported. The foreign exchange thus saved was used to finance the purchase of home electrical appliances, motorcycles and other consumer goods. The rapid development of the national economy enables the state to export. At the same time, a rising living standard and an increase in consumer purchasing power also spur imports. This pattern will continue in the future.

There are a number of points about Chinese-Japanese trade last year which are worthy of attention. According to Japanese customs statistics, Japanese exports to China in 1984 were valued at 1,720.8 billion Yen (up 47.4 percent over 1983), while Japanese imports from China stood at 1,411.2 billion Yen (up 16.7 percent over 1983). The 47.4 percent increase in Japanese exports should be considered abnormal.

The steep increase in Japanese exports was due to an upsurge in the sale of Japanese electrical machinery products, home appliances, steel and so on. Electrical machinery exports expanded 215 percent over 1983, while exports of

radios, color TV sets and black/white TV sets all rose an unprecedented 19-fold over 1983. The increase in color TV set exports was the most spectacular, whether in terms of volume or value. A breakdown of transportation hardware shows an astonishing 100-fold increase in motorcycle exports. The rates of increase for buses, limousines and trucks were 19-fold, 15-fold and 8-fold respectively. In the area of steel, shape exports and seamless steel tube exports grew by 98 and 57 percent respectively. Both rates exceeded last year's.

This year, however, China has adopted stringent foreign exchange control measures. Negotiations on the export of home appliances have almost ground to a halt after May and there has been a drastic drop in car import negotiations as well. My judgment is that the import of goods already contracted for will continue to grow. After October, however, there will be a precipitous decline in imports. From year end through next spring, Chinese imports will remain stagnant.

Both sides are responsible for the erratic course of Chinese-Japanese trade. China now seems to be considering the formulation of a stable trade policy. Japan, for its part, is trying to curb its overly aggressive salesmanship.

The Chinese government has approved the report on restructuring the foreign trade system prepared last fall by the Ministry of Foreign Economic Relations and Trade. The report points out that at a time when the entire economic system is engulfed in a wave of reform, the foreign trade sector should also carry out a number of important reforms. Among them a notable one is giving local governments extensive power to attract foreign capital and modernize existing enterprises, and defining the limits within which they can import technology and equipment and the amounts of foreign exchange they can spend. The foreign trade plan also reduces the number of priority commodities under centralized state control.

The foreign trade system should be restructured, but I do not think China should rush headlong into reform or insist on its universal application.

We should carefully analyze beforehand the possible consequences of reform. The actual implementation should be planned and cautious.

The car reselling incident on Hainan Island provides much food for thought for both China and Japan. Hainan Island, designated as an economic development area, imported from Japan a large number of cars and resold them at huge profits to the interior. This is extremely unfortunate. At the same time, the Japanese companies which received the orders were also responsible. They should have realized that under no circumstances could Hainan need so many cars for its own use.

It is hoped that China will take a more cautious approach in adjusting its trade policy. It took bilateral efforts for Chinese-Japanese trade to have reached the present scale. Both of us should protect it.

Japan is very concerned about Chinese moves to modify its policy regarding special economic zones [SEZ] and economic development zones [EDZ]. In early

July, State Councillor Gu Mu [6253 3668], who is in charge of the open door policy, said, "We are in the process of adjusting the development plan on SEZ's and opened cities." In Spring, 1984, China opened 14 coastal cities. Mr Gu Mu pointed out, "Priority will be given to Dalian, Tianjin, Shanghai and Guangzhou. The other 10 cities will be developed at a later date." According to reports from Hong Kong, the Chinese government has decided to slash this year's infrastructural investments in Shenzhen by 36 percent. Since the development of SEZ's and EDZ's is closely related to any expansion in Chinese-Japanese trade, relevant circles in Japan are very anxious about changes in China's SEZ and EDZ policies.

Some Japanese are worried that the Dalian EDZ, now under construction, may be affected. Dalian is geographically close to Japan and has relatively deep historical ties with us. Circumstances permitting, Japan is ready to set up joint ventures and cooperative enterprises in partnership with Dalian.

The construction of the Dalian EDZ (in and around Dagushanmaqiaozi Village in Jin County) has begun. Phase 1 of the project, which covers an area of 3 sq km, is scheduled for completion next year. At Zhoushuizi Airport, currently being overhauled, the runway is partly finished. Also proceeding apace are improvements in telecommunications facilities and the construction of a power station. In addition, Dalian plans to build a harbor with 50 berths at Dajiao Bay. We hope that China will clarify whether these development plans will be revised or changed.

Another problem in Chinese-Japanese trade is imbalance. China's export and import targets for the last year in the Sixth 5-Year Plan are \$27 billion and \$30.4 billion respectively, for a deficit of \$3.4 billion, part of which must be financed by non-trade earnings. But China's deficit with Japan alone reaches and may even exceed the projected deficit. This situation must be prevented.

Meeting with a RENMIN RIBAO delegation last May, Prime Minister Nakasone referred to the imbalance in Chinese-Japanese trade and said, "I am prepared to work hard to correct this imbalance. But in order to help China achieve modernization, Japan's equipment exports are increasing at the moment. Hence the lopsided tendency may perhaps persist."

To expand Chinese exports to Japan, both sides have to do a lot of work. As far as Japan is concerned, it should open up its market, an area where definite progress has been made recently. Japan has lowered its tariffs, including a 4 percent drop in tariffs on Chinese water chestnuts and walnuts. But stringent restrictions on the entry of Chinese raw silk and silk fabrics remain. The Japanese market needs to be further opened to let in more Chinese goods.

We also hope that the Chinese will make some efforts. Japanese businessmen think that the quality of Chinese products is inconsistent and their availability unsteady. Similar problems exist with regard to prices. As I see it, supply stability is a key to expanding Chinese exports.

Then there are problems with China's infrastructure. When there is a shortage of ports capable of handling large vessels, one cannot take the goods out even if one wants to buy them.

It can be said that Chinese-Japanese trade is naturally complementary. Japan is a developed, industrialized nation which lacks natural resources. China is a rich supplier of natural resources and primary products as well as a developing nation with a relatively strong light industrial sector. Japan buys from China a variety of primary products such as crude oil, coal, soya bean and cotton. China, which is capable of exporting a wide array of products, is an indispensable trading partner to Japan, in the long run. As for China, it must import an increasing amount of machinery and equipment from Japan in order to achieve modernization.

Also, China and Japan are neighbors separated by a strip of water. China's major exports are primary products, which are relatively inexpensive to transport. This too is a decisive factor.

The existing friendly relationship between China and Japan is unprecedented. The two governments are also carrying out capital cooperation. This is why I believe the trade imbalance between China and Japan this year and last should be solved as soon as possible. Toward that end, both countries should provide appropriate conditions and engage in frank and sincere consultations. The objective environment is much better now than several years ago, so I believe this problem can certainly be solved.

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